

## Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00  
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05  
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07  
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 PA-01 /129 W  
-----112517 211320Z /45

R 200955Z APR 78  
FM AMEMBASSY BANGKOK  
TO SECSTATE WASHDC 3331

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E.O. 11652: N/A  
TAGS: ENRG, BENC, TH  
SUBJECT: THAI NATURAL GAS PROJECT

REF: (A) BANGKOK 9793 (B) STATE 84006

1. IN TELEPHONE CALL TO AMBASSADOR MORNING APRIL 20, MINISTER OF INDUSTRY DASAME ASSURED AMBASSADOR THAT ALTHOUGH NATURAL GAS PRICE AND CONCESSION RENEWAL ISSUES ARE INHERENTLY LINKED (REFA), RTG DOES NOT RPT NOT INTEND TO PUSH UNION OIL AND TEXAS-PACIFIC CO. (T-P) TO THE WALL AND THAT COMPANY RIGHTS TO CONCESSIONS WILL BE EXTENDED EVEN THOUGH FORMALITIES PROBABLY WILL NOT HAVE BEEN CONCLUDED ON WORK PROGRAMS UNDER PROPOSED NEW CONCESSION AGREEMENTS WHEN CURRENT CONCESSIONS EBIREASONABLE SOLUTIONS," AND ADDED HE IS CONFIDENT THAT RTG AND OIL COMPANIES CAN REACH SATISFACTORY CONCESSION RENEWAL AND GAS PRICE AGREEMENTS IN DUE TIME.

2. EARLIER IN WEEK AMBASSADOR REVIEWED STATUS OF PRICE TALKS AND GAS FIELD DEVELOPMENT PLANS WITH T-P'S BANGKOK REP AND WIT UNION OIL SENIOR V-P BURKE WHO IS  
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IN BANGKOK FOR POLICY TALKS WITH MINISTER KASAME. ALTHOUGH OFFICIAL SOF BOTH FIRMS LIKE TO HEW TO LINE THAT PRICE GAP BETWEEN COMPANIES ON ONE SIDE AND RTG ON THE OTHER MAY BE UNBRIDGEABLE, AND THAT CONCEPTUAL PROBLEMS WITH REGARD TO ESTIMATED DEVELOPMENT COSTS LOOM AS INSURMOUNTABLE BARRIERS, IT APPEARS TO US THAT QUESTION IS NOT WHETHER PRICE AGREEMENT WILL BE REACHED,

BUT WHEN. WE ARE NOT PRIVY TO FULL DETAILS OF VARIOUS PRICE PROPOSALS, BUT WE UNDERSTAND THAT IN ESSENCE, RTG HAS OFFERED GAS PRICE WHICH WOULD EQUATE TO ABOUT \$4 FOR A BARREL OF OIL AT THE WELLHEAD WHILE COMPANIES ARE HOLDING OUT FOR ABOUT \$9.50. COMPANIES INSIST ONE FACTOR WHICH MAKES HIGHER PRICE NECESSARY IS VENTURE CAPITAL RISK INVOLVED, BUT RTG (SHICH IS FACING \$200-\$400 MILLION EXPENDITURE FOR PIPELINE TO GAS FIELD) INSISTS THAT EXPLORATION TO DATE INDICATES THAT SIZE OF KNOWN GAS RESERVOIRS MAKES RISK MINIMAL AND PERHAPS NIL. IN THAT REGARD, T-P OFFICIAL TOLD AMBASSADOR WHEN DISCUSSING WORK PROGRAM PROBLEMS ENCOUNTERED WITH RTG THAT HE CONSIDERS ADDITIONAL EXPLORATION IN GULF POINT-LESS NOW BECUASE SUCH ACTIVITY WOULD MERELY RESULT IN ADDITIONAL GAS DISCOVERIES AT TIME WHEN COMPANIES HAVE ALREADY LOCATED ENOUGH GAS TO SUPPLY THAILAND'S NEEDS UNTIL 1990. T-P IS THEREFORE SEEKING APPROVAL FOR FLEXIBLE WORK PROGRAM UNDER EXTENDED CONCESSION AGREEMENT WHICH WOULD PERMIT EXPENDITURES ON EVENTUAL DEVELOPMENT WORK TO BE COUNTED AGAINST COMMITMENT TO PUT DOWN EXPLORATORY WELLS. TO DATE RTG IS INSISTING THAT UNION AND T-P EACH PUT DOWN 12 EXPLORATION WELLS DURING FOUR-YEAR LIFE OF NEW EXTENDED CONCESSION AGREEMENTS.

3. AT MINISTER'S SUGGESTION, WE HAVE CONVEYED SUBSTANCE OF HIS REMARKS TO UNION AND T-P OFFICIALS, WHO, FACED LIMITED OFFICIAL USE

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WITH IMPENDING APRIL 23 DEADLINE, WERE MUCH RELIEVED. HOPEFULLY MINISTER'S REMARKS CAN BE CONSTRUED AS EVIDENCE THAT HE INTENDS TO BRING MUCH NEEDED POLICY GUIDANCE TO GAS PRICE TALKS. UNION V-P BURKE'S TALKS WITH KASAME HAVE WITHOUT DOUBT ALERTED MINISTER TO NEED TO MONITOR GAS PRICE TALKS CLOSELY.

4. AFTER FOREGOING WAS DRAFTED, MR. BURKE OF UNION OIL TELEPHONED AMBASSADOR TO INFORM US THAT HE WAS VERY SATISFIED WITH THE MEETINGS HE HAD HELD WITH MINISTER KASEME APRIL 19 AND APRIL 20. IT APPEARS THAT KASAME IS PARTICIPATING ACTIVELY AND AGRESSIVELY IN THE NEGOTIATIONS AND THAT PROGRESS TOWARDS RESOLUTION OF THE PRICE ISSUE IS BEING MADE. ACCORDING TO BURKE, BOTH SIDES HAVE AGREED TO LET THE MATTER "SOAK" FOR A COUPLE OF WEEKS AFTER WHICH BURKE WILL RETURN TO CONCLUDE THE NEGOTIATIONS. BURKE WAS MOST EXPRESSIVE REGARDING ASSISTANCE AND INTEREST SHOWN BY EMBASSY. WHITEHOUSE

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** NATURAL GAS, PROGRAMS (PROJECTS)  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 20 apr 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978BANGKO11420  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780171-0082  
**Format:** TEL  
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**Handling Restrictions:** n/a  
**Image Path:**  
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**Office:** ACTION EA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 78 BANGKOK 9793, 78 STATE 84006  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 05 may 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** N/A  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2908802  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** THAI NATURAL GAS PROJECT  
**TAGS:** ENRG, BENC, TH  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/873701ab-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014